



TAX CREDIT REVIEW

OFFICE OF THE LEGISLATIVE FISCAL ANALYST

MOTION PICTURE INCENTIVES

63N-8-101



STATUTORY REQUIREMENTS OF EVALUATION

- Cost of the credit
- Purpose and effectiveness of the credit
- The extent to which the state benefits from the credit

COST

- \$6.79 million Education Fund annually

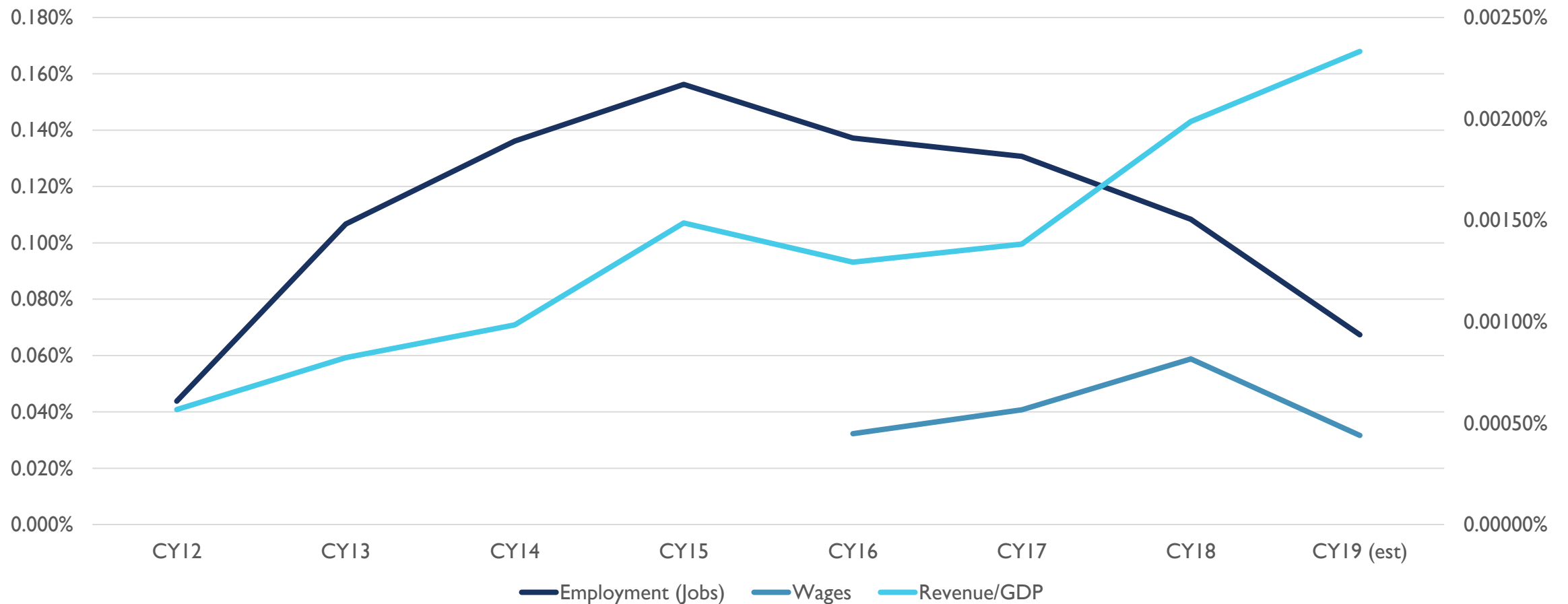
PURPOSE AND EFFECTIVENESS

- Encourage the use of Utah as a site for the production of motion pictures, television series, and made-for-television movies;
- Provide financial incentives to the film industry so that Utah might compete successfully with other states and countries for filming locations; and
- Help develop a strong motion picture industry presence in the state that will contribute substantially to improving the state's economy

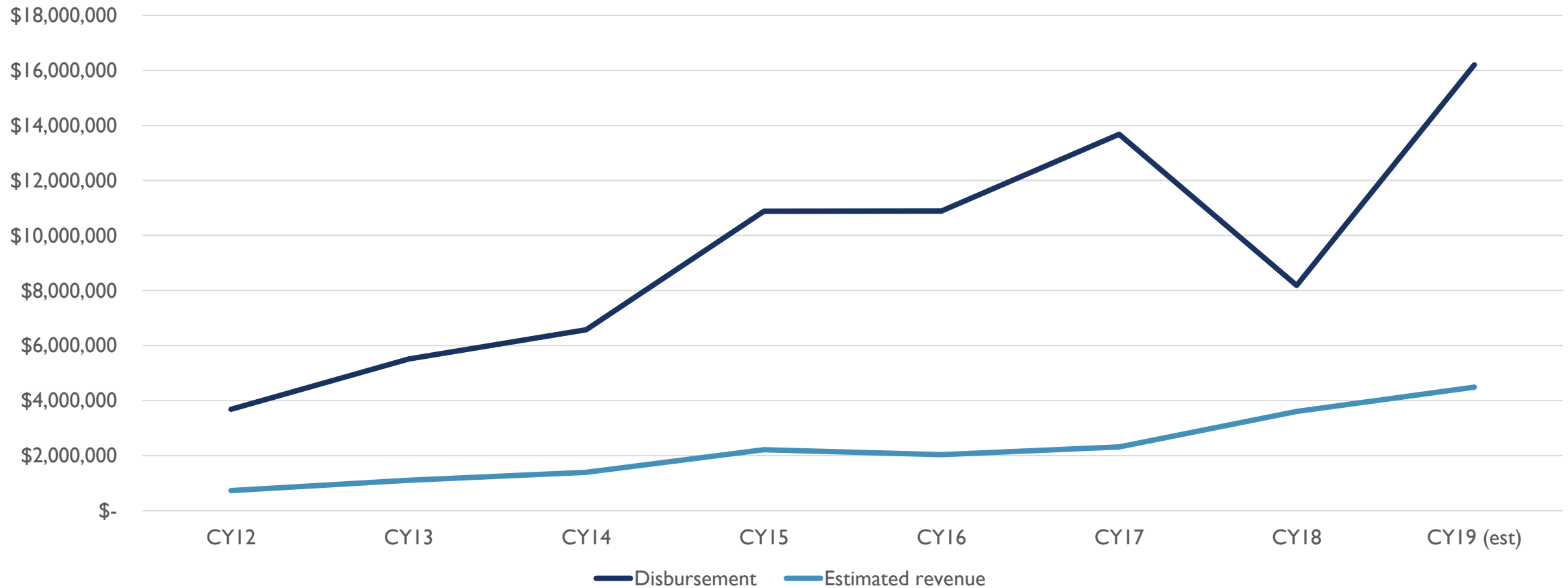
DIRECT ECONOMIC IMPACT

| | CY12 | CY13 | CY14 | CY15 | CY16 | CY17 | CY18 | CY19 YTD |
|-----------------|-----------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Jobs | 547 | 1,376 | 1,808 | 2,153 | 1,958 | 1,920 | 1,644 | 1,051 |
| Wages | | | | | \$20,429,673 | \$27,341,240 | \$42,489,016 | \$24,503,496 |
| Est. Revenue | \$729,438 | \$1,106,418 | \$1,393,732 | \$2,214,445 | \$2,036,866 | \$2,317,189 | \$3,608,991 | \$4,489,267 |

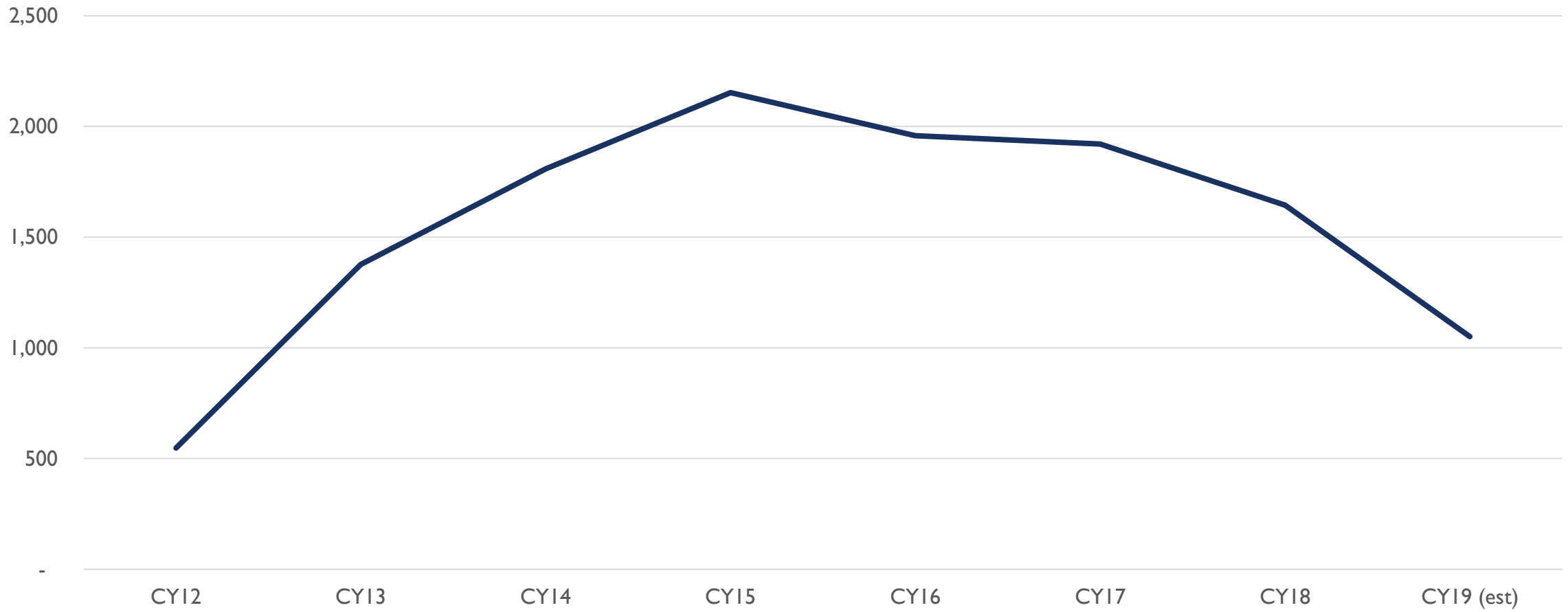
FILM INDUSTRY INDICATORS AS PERCENT OF UTAH ECONOMY



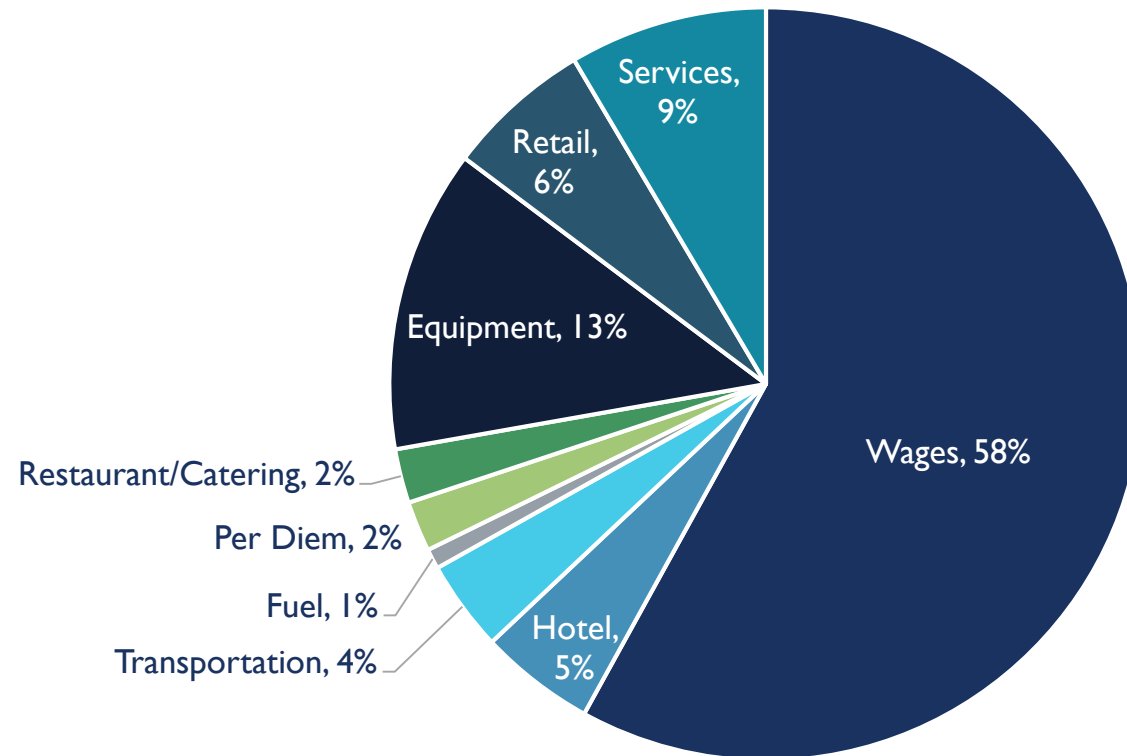
DISBURSEMENT VS. DIRECT REVENUE



DIRECT JOBS



AVERAGE PERCENT OF TOTAL SPENDING BY CATEGORY



CONCLUSION

- Motion picture incentives contribute to the state's economy by generating jobs and revenue
- Direct revenue averages 24% of direct costs between CY12-CY18
- Direct jobs and direct wages resulting from the incentives have declined in the past few years



TECHNOLOGY AND LIFE SCIENCE INVESTMENT TAX CREDIT

63N-2-101



STATUTORY REQUIREMENTS OF EVALUATION

- Cost of the credit
- Purpose and effectiveness of the credit
- The extent to which the state benefits from the credit

COST

- \$5,000 Education Fund annually

ELIGIBILITY

- Investment must be made in a life science establishment
- The life science establishment must qualify as a small business
- The life science establishment has at least 50% of their employees in the state
- The investment is at least \$25,000
- The applicant owns less than 30% of the life science establishment
- The investment wouldn't have taken place without the investment tax credit.

CREDIT AUTHORIZATION

- A nonrefundable tax credit for up to 35% of the purchase price of the qualifying ownership interest over a three-year term
 - Year 1 – 10%
 - Year 2 – 10%
 - Year 3 – 15%
- Total credit not to exceed \$350,000 in a taxable year

PURPOSE OF THE TECHNOLOGY AND LIFE SCIENCE INVESTMENT TAX CREDIT

- Legislation does not define the tax credit's goals or performance metrics.
- The purpose of the tax credit as detailed by GOED is to encourage investment in Utah's life science businesses and to create jobs.

COST OF TECHNOLOGY AND LIFE SCIENCES TAX CREDITS

| | CY 2015 | CY 2016 | CY 2017 | CY 2018 | CY 2019 |
|---|---------|---------|---------|---------|---------|
| Number of Claims | | | - | 1 | 1 |
| Total Credits | | | - | 5,000 | 5,000 |
| Private Investment | | | - | 50,000 | 50,000 |
| <u>*Information as of August 13, 2020</u> | | | | | |

Note: From CY 2015 to CY 2018 no credits have been claimed on tax forms

CONCLUSION

- Performance is not defined in statute; as a result, it is difficult to evaluate this incentive.
- The purpose of the tax credit as detailed by GOED is to encourage investment in Utah's life science businesses and to create jobs.
- From 2017 to 2019:
 - Four jobs have been created
 - One company has invested \$50,000 annually
 - One credit has been authorized for \$5,000 annually